

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7466

Investigation into Petition filed by Vermont)
Department of Public Service Re: Energy)
Efficiency Utility Structure — Phase 2)

Order entered: 3/9/2010

**ORDER REGARDING PROCESS AND EVALUATION CRITERIA
FOR INITIAL OVERALL PERFORMANCE ASSESSMENT**

I. INTRODUCTION

The Public Service Board's ("Board") November 24, 2009, Order in this proceeding provided, in part, that before transitioning to a new Energy Efficiency Utility ("EEU") structure (referred to therein as an Order of Appointment structure), the Board would conduct Initial Overall Performance Assessments ("Initial OPAs") of the entities currently providing EEU services (Vermont Energy Investment Corporation ("VEIC") and the City of Burlington Electric Department ("BED")). The Initial OPAs will review the current providers' effectiveness and determine whether, in the case of VEIC, a competitive solicitation is warranted and, in the case of BED, whether the statewide provider should deliver all EEU services in BED's service territory. In this Proposal for Decision, I recommend a process for the Initial OPAs as well as evaluation criteria to be used by the Board in the Initial OPAs.

II. PROCEDURAL HISTORY

On January 22, 2010, I conducted a workshop to discuss the process and evaluation criteria for the Initial OPAs. This workshop was open to the public. Workshop attendees included representatives from the Vermont Department of Public Service ("DPS"), BED, VEIC, Central Vermont Public Service Corporation ("CVPS"), International Business Machines Corporation ("IBM"), Vermont Electric Power Company, Inc. ("VELCO"), and the EEU Contract Administrator. There was considerable agreement among workshop attendees

regarding the process to be used for the Initial OPAs; the attendees contemplated a memorandum from the Board setting out the Initial OPA process. After discussing possible evaluation criteria, workshop attendees requested an opportunity to file written comments proposing such criteria.

On February 5, 2010, the DPS filed proposed evaluation criteria. These included general criteria and additional details (for some criteria) to illustrate the type of metrics that might be used to assess individual criteria. The DPS states that BED, CVPS, Green Mountain Power Corporation ("GMP"), IBM, and VEIC support the general criteria included in the letter, although these parties did not reach consensus on the additional details in the DPS's letter.

The DPS's February 5 letter also states that the parties that support the general evaluation criteria recommend that the Board provide an opportunity for all parties to this docket to comment upon the criteria that it proposes to use in the Initial OPAs. In light of this recommendation, I decided to prepare a Proposal for Decision on the Initial OPA process and evaluation criteria, even though this was not contemplated by the attendees at the January 22 workshop. This Proposal for decision is being presented to the Board pursuant to 30 V.S.A. Section 8.

III. DISCUSSION

Initial OPA Process

At the January 22 workshop, attendees agreed to the following schedule for the Initial OPA process:

April bills	Electric distribution utilities to provide notice to customers in bills, if their billing systems can accommodate such notice, of the Initial OPA Process and the opportunity for customers to file comments on the EEU's performance
April 8, 2010	All parties to provide draft information they believe the Board should consider in the Initial OPAs; DPS will provide draft Benchmarking Study and so-called "state-sanctioned information" ¹
April 20, 2010	Workshop, open to the public, to address requests for clarification

1. As used by the parties at the January 22 workshop, "state-sanctioned information" includes information about the EEU's performance that has previously been developed by the Board or the DPS. One example of such information is the Board's annual determinations regarding Efficiency Vermont's achieved energy and demand savings.

	regarding draft information, questions regarding why information is relevant to evaluation criteria, and related issues ²
May 7, 2010	All parties to submit final information they believe the Board should consider in the Initial OPAs
May 20, 2010	Tentative date for workshop, if workshop is necessary ³
June 2, 2010	Requested date for submission of public comments (to be included in notice to customers); parties to file recommendations and proposed findings
June 16, 2010	Parties to file responses to written recommendations and proposed findings
July 9, 2010	Target date for issuance of Proposal for Decision ⁴

The workshop attendees discussed how best to obtain public input in the Initial OPAs. No party recommended that the Board conduct a public hearing. Rather, workshop attendees agreed that customers should be notified of the opportunity to file written public comments, and such notice should include a link to the Board's website where information about the Initial OPAs should be posted. Workshop attendees also stated that it will be important for all parties to see the public comments.

I am persuaded that the schedule agreed to by the workshop attendees, with the modification shown above to accommodate the Board's instruction that I issue a Proposal for Decision at the conclusion of the Initial OPAs, is reasonable. This process should provide the parties and the public ample opportunity to submit information, comments, and recommendations to the Board for its consideration. Therefore, I recommend the Board approve it.

2. Workshop attendees agreed that it would be helpful for the workshop to be structured such that the first part focused on information related to VEIC's performance, while the second part focused on information related to BED's performance. However, some information, such as the DPS's Benchmarking Study, might be relevant to both.

3. Workshop attendees agreed that, depending on the outcome of the first workshop, a second workshop might not be necessary.

4. Workshop attendees did not discuss a target date for a Proposal for Decision. Rather, they asked whether the Board intended for the Initial OPA process to lead directly to a Board Order, or to a Proposal for Decision first. In my February 5, 2010, Scheduling Order, I informed the parties that the Board has instructed me to issue a Proposal for Decision at the conclusion of the Initial OPA process.

Evaluation Criteria

The DPS's February 5, 2010, letter recommended the following general evaluation criteria:

- Performance with respect to acquisition of energy and demand savings, and achieved Total Resource Benefit;
- Performance with respect to broad policy goals;
- Performance regarding administrative functions necessary to carry out duties;
- Administrative efficiency;
- Customer service;
- Organizational qualifications of incumbents;
- Financial stewardship of ratepayer dollars; and
- Any other criteria the Board finds appropriate.

I recommend that the Board conclude that all of these general criteria are appropriate.

While not agreed to by all parties to this proceeding, they have been proposed by six parties who have taken different positions on some issues in this proceeding. Each general criteria is relevant to the ultimate decision the Board must make regarding whether cause exists to issue a Request for Proposals.

In addition, I recommend that the Board add the following two general criteria to this list:

- Performance in relation to other energy efficiency service providers; and
- Qualitative performance regarding specific policy initiatives.

The Board previously found that an Initial OPA will include an assessment of how the performance of the entities serving as the EEU relates to that of similar entities in other jurisdictions, or whether programs, ideas or innovations in other jurisdictions are being adequately evaluated to determine if they could be implemented in Vermont.⁵ Parties to this proceeding have previously agreed that the DPS's Benchmarking Review should be considered by the Board. While such comparisons could be included in some of the general criteria identified by the six parties, as worded above, the general criteria do not clearly indicate that this

5. Order of 11/24/09 at 43 (finding 57).

will occur. Furthermore, I am persuaded that this topic is important enough to be considered a separate general criterion.

My second recommended general criterion is related to two criteria developed by the six parties (performance with respect to broad policy goals, and organizational qualifications of incumbents). However, there is a difference between broad policy goals and specific policy initiatives. In addition, there is a difference between specific policy initiatives that the entities have already begun to implement, and possible new initiatives that EEU's may implement in the future. If the entities have already begun implementing a specific policy initiative, it is appropriate to focus on their performance. However, in areas in which the entities have not yet provided EEU services, it is appropriate to focus on the entities' organizational qualifications to deliver such services in the future. Additional detail about the type of metrics that might be used to assess these three general criteria will help illustrate these distinctions.

However, before listing such metrics, I want to emphasize that they are intended to help explain what is meant by the general criteria, not to be a list of the only metrics to be considered by the Board. I recommend that the Board expressly state that it will review information presented regarding all specific metrics shown below, as well as information regarding any other metric related to one of the general criteria that is provided by a party by the May 7 filing deadline. In addition, I recommend that the Board allow parties to include, in their June 2 recommendations, comments on what weight should be given to general criteria and specific metrics that might be used to assess those criteria, if there are some they believe should be given more or less weight than others.

With those considerations in mind, I recommend that the Board adopt the following general criteria, with specific examples of types of metrics that might be used to assess the criteria.⁶

- Performance with respect to acquisition of energy and demand savings, and achieved Total Resource Benefit;

6. Most of the specific examples are those contained in the DPS's February 5 letter; the only general criteria whose specific examples are different are the two criteria that I added, plus organizational qualifications of incumbents.

- Performance with respect to broad policy goals, such as those articulated in
 - Board Orders
 - The Board's contract with VEIC (for VEIC)
 - The Board's Order of Appointment and follow-up agreements (for BED);
- Qualitative performance regarding specific policy initiatives, such as
 - Geographic targeting
 - Participation in the regional Forward Capacity Market
 - Delivery of unregulated fuels services
 - Forecasting
 - Marketing and education
 - Development, marketing, and leverage of new and emerging technologies
 - Development and marketing of new services and initiatives;
- Performance regarding administrative functions necessary to carry out duties, such as
 - Ability to accurately estimate necessary budgets and schedules
 - Flexibility and comprehensiveness of data tracking systems;
- Administrative efficiency, such as
 - Minimizing costs not directly attributable to direct services
 - Total administrative cost relative to benefits
 - Total cost per unit savings;
- Customer service, such as service to
 - Consumers (by sector)
 - Utilities and Vermont System Planning Committee
 - Trade allies (e.g., Home Performance contractors, retail efficient products partners, design professionals);
- Organizational qualifications of incumbents, such as
 - Knowledge of Vermont markets
 - Planning standards
 - "Brand" management
 - Ability to provide appropriate assistance to customers regarding combined-heat-and-power projects

- Ability to provide appropriate assistance to customers regarding demand response
- Ability to provide appropriate assistance to customers regarding electro-technologies;
- Financial stewardship of ratepayer dollars, such as
 - Ability and performance in leveraging customer contributions and other funding sources for efficiency measures; and
- Performance in relation to other energy efficiency providers, such as
 - DPS's Benchmarking Review.

IV. CONCLUSION

I recommend that the Board adopt the above process and evaluation criteria for the Initial OPAs. I also recommend that the Board allow parties to include, in their June 2, 2010, recommendations, comments on what weight should be given to general criteria and specific metrics that might be used to assess those criteria, if there are some they believe should be given more or less weight than others.

This Proposal for Decision has been served on all parties to this proceeding in accordance with 3 V.S.A. § 811.

Dated at Montpelier, Vermont, this 3rd day of March, 2010.

s/ Ann Bishop
Ann Bishop
Hearing Officer

V. BOARD DISCUSSION

The Group of Municipal Electric Utilities ("GMEU"), VEIC, and the DPS filed comments on the Proposal for Decision. The parties' comments focused on three areas: the Initial OPA process and schedule; notice to customers of the Initial OPA process; and the evaluation criteria to be used in the Initial OPA process. We address each of these issues in turn.

Initial OPA Process and Schedule

The DPS supported the Initial OPA process set forth in the Proposal for Decision, but proposed a series of changes to the schedule to allow more time for the completion of the Benchmarking Study. Specifically, the DPS proposed the following schedule:

May bills	Electric distribution utilities to provide notice to customers in bills, if their billing systems can accommodate such notice, of the Initial OPA Process and the opportunity for customers to file comments on the EEU's performance
April 29, 2010	All parties to provide draft information they believe the Board should consider in the Initial OPAs; DPS will provide draft Benchmarking Study and so-called "state-sanctioned information"
May 11, 2010	Workshop, open to the public, to address requests for clarification regarding draft information, questions regarding why information is relevant to evaluation criteria, and related issues
May 25, 2010	All parties to submit final information they believe the Board should consider in the Initial OPAs
June 7, 2010	Tentative date for workshop, if workshop is necessary
June 17, 2010	Requested date for submission of public comments (to be included in notice to customers); parties to file recommendations and proposed findings
July 1, 2010	Parties to file responses to written recommendations and proposed findings
July 22, 2010	Target date for issuance of Proposal for Decision

The DPS's filing stated that CVPS, BED and GMP do not object to this proposed schedule.

VEIC supported the schedule included in the Proposal for Decision, but also stated that it did not object to the DPS's proposed schedule modification.

GMEU stated that required lead times may make it difficult for some utilities to include notice of the Initial OPA in their April bills; GMEU supported an extension of the schedule set forth in the Proposal for Decision to the extent necessary to accommodate these concerns while still ensuring that the docket moves aggressively toward conclusion.

The Hearing Officer provided other parties with an opportunity to comment on the DPS's proposed schedule modification. No party filed comments.

We are persuaded the Initial OPA process set forth in the Proposal for Decision is reasonable. It should enable the Board to evaluate the current entities providing EEU services to determine if they should be given Orders of Appointment under the new EEU structure. Therefore, we approve this process.

However, the Benchmarking Study is a critical component of the Initial OPA process, and it is important for the schedule to allow sufficient time for its completion. For this reason, we determine the modifications to the schedule for the Initial OPA process proposed by the DPS are reasonable, and hereby approve them.

Notice to Customers of the Initial OPA Process

GMEU noted that many, if not all, of the GMEU utilities have billing systems under which it would be difficult to provide notice of the Initial OPA in electric bills. Therefore, GMEU suggested that notice of the Initial OPA be posted in each of the GMEU member offices as well as on the Vermont Public Power Supply Authority website.

The Proposal for Decision provides that utilities who are able to provide notice of the Initial OPA process in their customers' bills would do so. We agree with this recommendation, and hereby request that those utilities that are capable of doing so provide notice in their customers' bills or, if relevant, newsletters. We are not requiring that utilities directly notify customers; however, given the importance of this issue, we ask that customers be given direct notice where possible.

The Proposal for Decision did not expressly address how notice of the Initial OPA process would be provided to customers of utilities who are not able to include such notice in

their customers' bills. GMEU's suggestions for providing such notice are helpful, and we hereby adopt them.

In addition, we intend to publish newspaper notice in local newspapers in areas served by electric utilities who are not able to include notice in their customer bills. Such newspaper notice will be paid for out of unallocated interest earned on monies in the EEU Fund. In order to identify the areas in which we will need to publish newspaper notice, we request that, by March 15, 2010, each electric distribution utility that is a party to this proceeding inform the Clerk of the Board whether it will be able to provide notice in its customers' bills in May.⁷

Evaluation Criteria

GMEU, the DPS and VEIC supported the general evaluation criteria for the Initial OPA process set forth in the Proposal for Decision.

VEIC also commented on the metrics that were included for illustrative purposes only in the Proposal for Decision. VEIC asserted that under the "Performance with respect to broad policy goals" criterion, it would also be valuable to consider the role that non-Board policy goals (such as statutory building efficiency goals) might also play in consideration of this performance category. VEIC contended that the metric "total cost per unit savings" does not necessarily measure the general criterion "Administrative efficiency" because it could be the result of investing in only the most cost-effective measures at a site, rather than trying to acquire all cost-effective opportunities at a project site. VEIC argued that this metric seems useful only to the extent that comparisons were limited to programs or portfolios of similar comprehensiveness and depth. In addition, VEIC asserted that any measure of benefits related to administrative costs would be best indicated by Total Resource Benefits instead of "savings," or at least savings over time and not just first-year savings.

We conclude that the general evaluation criteria included in the Proposal for Decision are appropriate, and direct the Hearing Officer to use them in the Initial OPA process. With regard to the specific metrics included in the Proposal for Decision, we accept the Hearing Officer's

7. The Board will contact those Vermont electric distribution utilities that are not parties to this proceeding and ask them to provide notice in their customers' bills as well, if possible.

recommendation that they be considered illustrative only. We will review information presented by parties regarding all specific metrics included in the Proposal for Decision, as well as information regarding any other metric related to one of the general criteria, that is provided by a party by the May 25 filing deadline (this includes consideration of non-Board policy goals as recommended by VEIC, to the extent that parties provide information regarding this metric).

In addition, parties should include, in their June 17 recommendations, comments on what weight should be given to general criteria and specific metrics that might be used to assess those criteria, if there are some they believe should be given more or less weight than others. We have considered the merits of VEIC's comments related to the metrics associated with the "Administrative efficiency" category, and we will address them at the same time we consider all other parties' comments regarding weights to be given to general criteria and specific metrics.

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Hearing Officer's recommendations are accepted, except as modified herein.
2. The process and schedule for the Initial Overall Performance Assessments ("Initial OPAs") of the entities currently serving as the Energy Efficiency Utility shall be as set forth above.
3. By March 15, 2010, each electric distribution utility should inform the Clerk of the Board whether it will be able to provide notice in its customers' bills in May of the Initial OPA process and the opportunity for customers to file comments on the EEU's performance.
4. The general evaluation criteria for the Initial OPAs shall be as set forth above.
5. Parties are invited to comment upon the weights to be given to the various general evaluation criteria, or specific components of those criteria, in their June 17, 2010, filings.

Dated at Montpelier, Vermont, this 9th day of March, 2010.

s/ James Volz)

) PUBLIC SERVICE

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s/ David C. Coen)

BOARD

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OF VERMONT

s/ John D. Burke)

OFFICE OF THE CLERK

FILED: March 9, 2010

ATTEST: s/ Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)